

3/83 Estk 65.9 m.
✓ 57 (2.2)%
for Dec quarter.

RECEIVED

To : Hamish Maxwell

MAR 15 1983

HAMISH MAXWELL

cc. TG, WTH, GEK, JRH,
LR, CW, MJ, F.H. Dulles,
(PM EEC);
R.W. Murray, T.H. Kearns,
L. Pollak, R.L. Snyder,
K. Haley (PHI)

FLASH FOR WEEK ENDING MARCH 11, 1983

I. LEGAL

1. E.E.C.

- a) Various reports indicate that we should expect to receive a response during this week from the Commission on the draft new agreement which we submitted on January 21, 1983. We do not know if the response will be written or verbal, nor do we have confirmed indications as to its contents.
- b) The official minutes of the oral hearing have been received. The recipients of the minutes have been requested to return within two weeks a copy of the minutes signed to indicate approval of statements attributed to recipients.

The minutes are being studied and it has been decided that Cleary Gottlieb will coordinate any amendments and submit one approved version.

2. Germany

- a) The FCO have advised Thomson-Brandt that their bid for Grundig conflicts with West-German anti-trust law. It would appear that Thomson-Brandt are not going to contest the Cartel Office decision and they have announced that they are acquiring 75% of Telefunken, a West-German subsidiary of AEG.
- b) Work continues on preparing our brief to be submitted to the FCO and the draft of the brief will be discussed at a meeting in Munich on March 21 - 23. Final revision of the brief will be made on April 12 to meet the deadline for filing of April 15.
A meeting will take place with Gutowski on March 29 to discuss amendments to his paper to incorporate recent developments in the German market.

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II. OPERATIONS

1. Visit to Brinkmann factory, Berlin

On February 24, Messrs G. Kerandjoulis, J. Krauss and H. Schildwächter visited MB's factory in Berlin. They were met by Messrs Ackermann, Seelmann-Eggebert and Wolff of MB. A detailed report of the visit will be included in the monthly report. During the visit, it was learned that MB were manufacturing "Sumer" for the Iraq State Tobacco Company at the rate of 150 mio per month.

2. Visit to Turmac factory at Zevenaar

On March 2, Messrs Debetaz and J. Krauss visited Turmac's factory at Zevenaar, Netherlands. A detailed report will be included in the monthly report.

3. Visit by W.H. du Preez, Director Leaf, Rembrandt

Arrangements are being finalized for Mr. du Preez to visit our Berlin and Bergen-op-Zoom factories during May.

4. Expanded Tobacco

During the above visits to Brinkmann and Turmac factories, the opportunity was taken to further discuss the possibility of PM supplying EI to the two companies.

In the case of Brinkmann it would appear that they presently do not have plans to use EI but they were offered PM's assistance in any projects they may have in future in this regard.

At Turmac it would appear they might be favouring Reynolds to supply EI from the Trier plant, which is close to Turmac's factory. We believe we managed to persuade Turmac to evaluate the DIFT process before making a final decision and G. Kerandjoulis will be in touch with Turmac to discuss the process, costs, etc.

III. PLANNING

1. Canada - Carling

a) Both Carling O'Keefe and Miller released news to the media concerning the license agreement to brew Miller brands in Canada. They have not released information on the agreement for Miller to import a Canadian brewed beer.

b) A report in "The Globe and Mail" on February 14 had the following statement in an analysis of Carling O'Keefe's results for 9 months ended December 1982 :

"The company's Balance Sheet is so strong that it is interested in an acquisition in the consumer area."

2. India

The government has just changed the excise system, from one based on ex-factory price to a system comprising specific R 42/1000 plus R 3.75 for each R 5 of RSP over R 60 which equates to approximately 70 - 80% of RSP. This means that the financial arrangements being discussed by PM and RI, for the launch of Peter Stuyvesant, which were aimed at reducing ex-factory prices, may no longer be relevant. This is being reviewed at the present time. The scheduled launch of Peter Stuyvesant is not expected to be affected.

3. TEI/Dunhill/Cartier-USA

Friday
On March 18, EH, FHD and WTM will meet in London with V. Brink, T. Roux and C. van As to pursue discussion aconcerning a US license agreement for the "Dunhill" and "Cartier" brands and continue discussions on PM taking over the TEI Atlanta operation.

4. USA - Satin Trademark

J.A. Rupert telexed C.H. Goldsmith and suggested that PM take a license now for Satin Leaf and undertake usage in the USA. This is being considered but it is felt that the proposal is not attractive as it is too late to establish rights to the trademark in the USA and Lorillard would probably sue us in these circumstances. In the meantime a worldwide program to protect Satin is being undertaken.

5. Holland

It is reported that Turmac will probably launch this week ST. MORITZ SPECIAL FILTER. In their release to the trade, Turmac are claiming that the cigarette has a revolutionary filter and it is believed to be similar in effect to the Barclay filter. This is being studied at FTR.

6. Rowenta

The purchase of 50% of Rowenta by Brinkmann has not yet been finalized. Approval of the French Government is required as Rowenta have operations in France. It is expected that approval will be given in the near future and the purchase will be as from November 1, 1982.

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IV. FINANCIAL

1. The following information was supplied by T. Roux :

RI Unit Volume

- a) January 1983 - + 1.3% over January 1982
- b) 10 months ending January 1983 - 2.5% below last year
- c) 12 months ending January 1983 - 3.1% below last year
- d) Estimate for the year to March 1983 - 2.2% below last year

Financial

- e) Net profit for 9 months to December 1982 - £ 56.8M
- f) Estimate for year ending March 31, 1983 - £ 65.9M vs 49.4 + 33.4%

The revised forecast for the profit of the year compares with 1982 profits of £ 49.9 million and is achieved despite reduced unit volumes. It is due to good results from UK companies and Canada, currency factors and favourable tax treatment due to the utilization of carry forward tax losses.

2. Quarterly reporting

At a meeting in London on March 8 RI supplied their US\$ results for the quarter ending December 31, 1982. They showed a net profit of \$ 32 million of which PM share is \$ 6.9 million compared to our budget of \$ 5.41 million. These are the best quarterly results we have received to date and are stated to be due to good results from the UK and Canada companies, strongly assisted by currency factors.

3. Rothmans of Pall Mall (Malaysia) Bhd.

Rothmans of Pall Mall (Malaysia) Bhd announced their unaudited results for the half year ended december 31, 1982 as follows :

	July-Dec 82 MDLR ('000)	July-Dec 81 MDLR ('000)
Turnover	161,617	131,905 + 22.5
Net profit before tax	15,273	12,563 + 21.3
Estimated taxes	6,906	5,668 + 21.8
Net earnings	8,367	6,895 + 21.4

They further announced that in order to bring their issued share capital further in line with assets employed, a notice will be sent to the shareholders calling for a EGM to consider a proposal for a bonus issue to shareholders on the basis of one new ordinary share for every five existing ordinary shares then held by way of capitalizing \$ 134,770,000 of reserves. These new ordinary shares will rank Pari Passu with the existing ordinary shares of the company.

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V. GENERAL

1. Canada

We have received no further information concerning the allegations against Alestair Gillespie.

2. RI Board Meeting

The regular RI board meeting is scheduled for this week.

3. Share Price of

	<u>March 4, 83</u>	<u>March 11, 83</u>
Rothmans International (£)	123p	114p
RI Convertible £/Bonds (DM)	3695	3695
Dunhill (£)	315p	310p
Carrolls (Irish £)	73p	79p
Tebacofina (BF)	2595	2550
Rothmans of Pall Mall Canada (Can.\$)		
- Common	40-1/2	40-1/4
- Preferred B	12-1/4	13
Carling O'Keefe (Can.\$)		
- Common	14-3/8	14-1/8
- Preferred A	23-1/4	27-1/4
Rothmans of Pall Mall Australia (Aus.\$)		
- Sydney	6.16	6.10
Rothmans Industries, N.Z. (N.Z.\$)	1.80	n.a.
Rothmans of Pall Mall Malaysia (Sing.\$)	3.42	3.38
Rothmans Industries Ltd (Sing.\$)	2.14	2.09

The UK stock market declined at the end of the week due to uncertainties on the outcome of the OPEC price talks and RI share price slipped in line with the market.

Regards.

E. Housiner

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